Business Comments

National Federation of Independent Businesses (NFIB/VA)

VIRGINIA

Ms. Cindi B. Jones, Director
Virginia Health Reform Initiative
Patrick Henry Building
1111 East Broad Street
Richmond, VA 23219

Dear Ms. Jones:

On behalf of our members across the Commonwealth, the National Federation of Independent Business (NFIB/VA) would like to offer some comments related to the next meeting of the Virginia Health Reform Initiative that will focus on the essential health benefits package.

Any state health benefit exchange implemented in the Commonwealth should not be required to cover state-mandated health benefits that exceed the federal definition of essential benefits. In fact, Virginia should institute the lowest standard of mandated benefits allowable under Federal law. A standard that does otherwise would make health coverage more expensive for small employers, limiting their ability to create jobs or foster growth. Additionally, the resulting increase in costs would be passed along to employees.

The matter truly comes down to a "generosity versus affordability" dynamic. Requiring exchanges to cover state-mandated benefits in excess of federal definitions only serves to widen the gap between those plans offered by small and large businesses. Larger businesses are often self-insured. The self-insured market is exempt from state mandates. The fully insured market, however, is subject to these state mandates. Therefore, it is the fully insured market, constituted largely by small businesses, that pays the majority of the costs of state mandates. Small businesses already pay, on average, 18% more for health insurance than their larger counterparts. Requiring coverage of state-mandated health benefits in excess of federal essential benefit limits would further increase this financial burden upon the Commonwealth's small businesses.

The financial burden state mandates place on small businesses has a quantifiable effect. Statistics show that the number of small businesses offering health benefits has decreased dramatically over the past decade. In 2001, 68 percent of small employers offered health benefits. By 2010, that number had dropped 29 percent to only 39 percent of small employers offering coverage. One can expect that as costs continue to increase, the number of small businesses discontinuing health benefits will increase. Exceeding the number of mandates required will increase costs for employers, forcing many to drop coverage. Moreover, small businesses choosing to offer health benefits will pass the increased costs on to employees, who are already struggling under current economic conditions.

Coverage for state-mandated benefits in excess of federal definitions also poses a significant risk to the financial stability of the Commonwealth. States are financially liable for the costs of state-mandated benefits in excess of the federal minimum essential health benefits ("EHB") package. As a result, Virginia's budget could be negatively impacted. Virginia, a high-benefit mandate state, would be liable for the coverage of any excess state-mandate benefits. Although the Commonwealth has recovered better than other states from the national economic downturn, our state cannot afford massive budgetary reductions. The cost liability for state-mandates above the federal threshold could place our state into a precarious position.

Health and Human Services ("HHS") has chosen to allow the states, rather than the federal government, to structure their own EHB package. Structuring models have been developed using private market coverage options in use today to serve as benchmarks. HHS has proposed four benchmark plans for state implementation of the essential health benefits.

Under the "Essential Health Benefits Bulletin" issued by HHS's Center for Consumer Information and Insurance Oversight ("CCIIO"), states are to choose one of the following four benchmark plan types: (1) any of the largest three State employee health benefit plans by enrollment; (2) any of the largest three national Federal Employee Health Benefits Program ("FEHBP") plan options by enrollment; (3) the largest insured commercial non-Medicaid Health Maintenance Organization ("HMO") operating in the State; or (4) the largest plan by enrollment in any of the three largest small-group insurance products in the State's small-group market.

Benchmark plans (1) and (2) are not fiscally viable options. State and federal employee health benefits plans cover a wide array of expensive procedures that are not required by the small market group. These benchmark plans would likely be too broad, unaffordable, and wasteful, placing further burdens upon small businesses and the Commonwealth.

Virginia should analyze which of the two between the small group market and the non-Medicaid HMO is least expensive to set as Virginia's standards. Also, the current list of mandates already required and their impact on health care costs to small businesses should be reviewed. Even if the small market group benchmark is adopted, the inclusion of mandates untested against a cost-benefit or evidence-based analysis could drive up costs for small businesses. The nature of the benchmark plan means little if it is awash in a sea of wasteful or excessive state mandates.

Sincerely,

Nicole A. Riley

Nicole Riley
Virginia State Director